



California Public Employees' Retirement System
Actuarial Office
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (916) 795-3240
(888) 225-7377 phone • (916) 795-2744 fax
www.calpers.ca.gov

October 2011

SAFETY POLICE PLAN OF THE CITY OF LAGUNA BEACH (EMPLOYER # 87)
Annual Valuation Report as of June 30, 2010

Dear Employer,

Enclosed please find a copy of the June 30, 2010 actuarial valuation report of your pension plan. Since your plan had less than 100 active members in at least one valuation since June 30, 2003, it is required to participate in a risk pool. The following valuation report has been separated into two Sections:

- Section 1 contains specific information for your plan, including the development of your pooled employer contribution rate, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to your plan, as of June 30, 2010.

This report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary is available to discuss the actuarial report with you.

Changes Since the Prior Valuation

A temporary modification to our method of determining the actuarial value of assets and amortizing gains and losses was implemented for the valuations as of June 30, 2009 through June 30, 2011. The effect of those modifications continue in this valuation.

There may also be changes specific to your plan such as contract amendments and funding changes.

Future Contribution Rates

The exhibit below displays the required employer contribution rate and Superfunded status for 2012/2013 along with an estimate of the contribution rate and Superfunded status for 2013/2014. The estimated rate for 2013/2014 is based on a projection of the most recent information we have available, including an estimate of the investment return for fiscal 2010/2011, namely 20.0%. See Section 2 Appendix E, "Investment Return Sensitivity Analysis", for increase in 2014/2015 rate projections under a variety of investment return scenarios for the Risk Pool's portion of your rate. Please disregard any projections that we may have provided to you in the past.

Fiscal Year	Employer Contribution Rate	Superfunded?
2012/2013	24.706%	No
2013/2014	25.2% (projected)	No

Member contributions (whether paid by the employer or the employee) are in addition to the above rates.

The estimate for 2013/2014 assumes that there are no amendments and no liability gains or losses (such as larger than expected pay increases, more retirements than expected, etc.). **This is a very important assumption because these gains and losses do occur and can have a significant effect on your contribution rate.** Even for the largest plans, such gains and losses can impact the employer's contribution rate by one or two percent or even more in some less common instances. These gains and losses cannot be predicted in advance so the projected employer contribution rate for 2013/2014 is just an estimate. Your actual rate for 2013/2014 will be provided in next year's report.

If you have questions, please call (888) CalPERS (225-7377). In the interest of allowing us to give every public agency their result, we ask that, if at all possible, you wait until after October 31 to contact us with questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan Milligan". The signature is fluid and cursive, with a long horizontal stroke at the end.

ALAN MILLIGAN, MAAA, FCA, FSA, FCIA
Chief Actuary



**Actuarial Valuation
as of June 30, 2010**

**The SAFETY POLICE PLAN
of the
CITY OF LAGUNA BEACH
(Employer# 87)**

**Required Contributions
For Fiscal Year
July 1, 2012 - June 30, 2013**

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Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

**Plan Specific Information for
The SAFETY POLICE PLAN
of the CITY OF LAGUNA BEACH
(Employer # 87)
(Rate Plan # 7783)**

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Actuarial Certification

Section 1 of this report is based on the member and financial data as of June 30, 2010 provided by your agency and contained in our records, and the benefit provisions under your contract with CalPERS. Section 2 of this report is based on the member and financial data as of June 30, 2010 provided by employers participating in the risk pool and contained in our records, and benefit provisions under the CalPERS contracts for those agencies participating in the risk pool.

As set forth in Section 2 of this report, the Pool Actuary has certified that, in her opinion, the valuation of the Risk Pool containing your SAFETY POLICE PLAN has been performed in accordance with generally accepted actuarial principles consistent with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for the Risk Pool, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for your plan, it is my opinion as your Plan Actuary that the Side Fund as of June 30, 2010 and employer contribution rate as of July 1, 2012, have been properly and accurately determined in accordance with the principles and standards stated above.

The undersigned is an actuary for CalPERS and a member of both the American Academy of Actuaries and Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



RICHARD SANTOS, CFA, ASA, MAAA
Senior Pension Actuary, CalPERS
Plan Actuary

SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE SAFETY POLICE PLAN OF THE CITY OF LAGUNA BEACH

Purpose of Section 1

Section 1 of this report was prepared by the Plan Actuary in order to:

- Certify that the actuarially required employer contribution rate of the SAFETY POLICE PLAN of the CITY OF LAGUNA BEACH for the fiscal year July 1, 2012 through June 30, 2013 is 24.706%;
- Set forth the plan's Employer Side Fund as of June 30, 2010;
- Provide pension information as of June 30, 2010 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27.

This section was prepared in order to provide actuarial information as of June 30, 2010 to the CalPERS Board of Administration and other interested parties

The use of this report for any other purposes may be inappropriate. In particular, this report does not contain information applicable to termination or alternative benefit costs. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Required Employer Contributions

	Fiscal Year 2011/2012	Fiscal Year 2012/2013
Employer Contribution Required (in Projected Dollars)		
Risk Pool's Net Employer Normal Cost	\$ 841,019	\$ 865,326
Risk Pool's Payment on Amortization Bases	290,417	322,948
Surcharge for Class 1 Benefits		
a) FAC 1	50,028	51,433
Phase out of Normal Cost Difference	0	0
Amortization of Side Fund	0	0
Total Employer Contribution	\$ 1,181,464	\$ 1,239,707
Annual Lump Sum Prepayment Option*	\$ 1,138,182	\$ 1,194,292
Projected Payroll for the Contribution Fiscal Year	\$ 4,899,901	\$ 5,017,839
Employer Contribution Required (Percentage of Payroll)		
Risk Pool's Net Employer Normal Cost	17.164%	17.245%
Risk Pool's Payment on Amortization Bases	5.927%	6.436%
Surcharge for Class 1 Benefits		
a) FAC 1	1.021%	1.025%
Phase out of Normal Cost Difference	0.000%	0.000%
Amortization of Side Fund	0.000%	0.000%
Total Employer Contribution	24.112%	24.706%

Appendix C of Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

Risk pooling was implemented as of June 30, 2003. The normal cost difference was scheduled to be phased out over a five year period. The phase out of normal cost difference began at 100% for the first year, and was incrementally reduced by 20% of the original normal cost difference for each subsequent year.

*Payment must be received by CalPERS before the first payroll of the new fiscal year and after June 30.

Projected Contributions

The rate shown below is an estimate for the employer contribution for Fiscal Year 2013/2014. The estimated rate is based on a projection of the most recent information we have available, including an estimate of the investment return for fiscal year 2010/2011, namely 20.0%:

Projected Employer Contribution Rate: 25.2%

The estimate also assumes that there are no liability gains or losses among the plans in your risk pool, that your plan has no new amendments in the next year, and that your plan's and your risk pool's payrolls both increase exactly 3.25% in the 2010/2011 fiscal year. Therefore, the projected employer contribution rate for 2013/2014 is just an estimate. Your actual rate for 2013/2014 will be provided in next year's report.

Rate Volatility

Your plan's employer contribution rate will inevitably fluctuate, for many reasons. However, the biggest fluctuations are generally due to changes in the side fund rate resulting from unexpected changes in payroll. The following figure shows how much **your** 2013/2014 rate would change for each 1% deviation between our 3.25% payroll growth assumption and your actual 2010/2011 payroll growth.

POTENTIAL 2013/2014 RATE IMPACT FROM 2010/2011 PAYROLL DEVIATION

% Rate Change per 1% Deviation from Assumed 3.25% Payroll Growth: 0.000%

Examples: To see how your employer contribution rate might be affected by unexpected payroll change, suppose the following:

- The % Rate Change per 1% Deviation figure given above is -0.400%
- Your plan's payroll increased 10% in 2010/2011 (6.75% more than our 3.25% assumption).

Then your 2013/2014 rate would decrease $-0.400\% \times (10 - 3.25) = -2.70\%$ from that cause alone.

Or conversely, using the same % Rate Change per 1% Deviation figure given above, suppose your plan's payroll remained the same in 2010/2011 (3.25% less than our 3.25% assumption).

Then your 2013/2014 rate would increase $-0.400\% \times (0 - 3.25) = 1.3\%$ from that cause alone.

Note that if your plan had a negative side fund, an unexpected payroll increase would spread the payback of the negative side fund over a bigger payroll, which would decrease your plan's side fund percentage rate and the total employer contribution rate. On the other hand, if your plan had a positive side fund, an unexpected payroll increase would spread the payback of the positive side fund over a larger payroll, which would increase your plan's side fund percentage rate and the total employer contribution rate. In either case, the Side Fund dollar amount would not change.

Employer Side Fund

At the time of joining a risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of your plan. The side fund for your plan as of the June 30, 2010 valuation is shown in the following table.

Your side fund will be credited, on an annual basis, with the actuarial investment return assumption. This assumption is currently 7.75%. A positive side fund will cause your required employer contribution rate to

SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE SAFETY POLICE PLAN OF THE CITY OF LAGUNA BEACH

be reduced by the Amortization of Side Fund shown above in Required Employer Contributions. A negative side fund will cause your required employer contribution rate to be increased by the Amortization of Side Fund. In the absence of subsequent contract amendments or funding changes, the side fund will disappear at the end of the amortization period shown below.

Employer Side Fund Reconciliation

	June 30, 2009	June 30, 2010
Side Fund as of valuation date*	\$ (5,602,378)	\$ 0
Adjustments	5,511,068	0
Side Fund Payment	304,352	0
Side Fund one year later	\$ 0	\$ 0
Adjustments	0	0
Side Fund Payment	0	0
Side Fund two years later	\$ 0	\$ 0
Amortization Period	13	12
Side Fund Payment during last year	\$ 0	\$ 0

* If your agency employed vouchers in fiscal year 2009/2010 to pay employee contributions, the June 30, 2010 Side Fund amount has been adjusted by a like amount without any further adjustment to the Side Fund's amortization period. Similarly, the Side Fund has been adjusted for the increase in liability from any recently adopted Class 1 or Class 2 contract amendments. Also, the Side Fund may be adjusted or eliminated due to recent lump sum payments. Contract amendments and lump sum payments may result in an adjustment to the Side Fund amortization period.

Superfunded Status

	June 30, 2009	June 30, 2010
Is the plan Superfunded?	No	No
[Yes if Assets exceed PVB, No otherwise]		

Summary of Participant Data

The table below shows a summary of your plan's member data upon which this valuation is based:

	June 30, 2009	June 30, 2010
Projected Payroll for Contribution Purposes	\$ 4,899,901	\$ 5,017,839
Number of Members		
Active	46	46
Transferred	35	34
Separated	14	15
Retired	77	80

List of Class 1 Benefit Provisions

- One Year Final Compensation

Information for Compliance with GASB Statement No. 27 for Cost-Sharing Multiple-Employer Defined Benefit Plan

Your plan is part of the Safety 3.0% at 50 Risk Pool, a cost-sharing multiple-employer defined benefit plan. Under GASB 27, an employer should recognize annual pension expenditures/expense equal to its contractually required contributions to the plan. Pension liabilities and assets result from the difference between contributions required and contributions made. The contractually required contribution for the period July 1, 2012 to June 30, 2013 has been determined by an actuarial valuation of the plan as of June 30, 2010. Your contribution rate for the indicated period is 24.706% of payroll. In order to calculate the dollar value of the contractually required contributions for inclusion in financial statements prepared as of June 30, 2013, this contribution rate, as modified by any subsequent financing changes or contract amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2012 to June 30, 2013. However, if this contribution is fully prepaid in a lump sum, then the dollar value of contractually required contributions is equal to the lump sum prepayment. The employer and the employer's auditor are responsible for determining the contractually required contributions. Further, the required contributions in dollars and the percentage of that amount contributed for the current year and each of the two preceding years is to be disclosed under GASB 27.

A summary of principal assumptions and methods used to determine the contractually required contributions is shown below for the cost-sharing multiple-employer defined benefit plan.

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	19 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

Complete information on assumptions and methods is provided in Appendix A of Section 2 of the report. Appendix B of Section 2 of the report contains a description of benefits included in the Risk Pool Actuarial Valuation.

A Schedule of Funding for the Risk Pool's actuarial value of assets, accrued liability, their relationship, and the relationship of the unfunded liability (UL) to payroll for the risk pool(s) to which your plan belongs can be found in Section 2 of the report.

SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE SAFETY POLICE PLAN OF THE CITY OF LAGUNA BEACH

Summary of Major Benefit Options

Shown below is a summary of the major optional benefits for which your agency has contracted. A description of principal standard and optional plan provisions is in Appendix B within Section 2 of this report.

Benefit Provision	Coverage Group	
	75002	75001*
Benefit Formula	3.0% @ 50	3.0% @ 50
Social Security Coverage	no	no
Full/Modified	full	full
Final Average Compensation Period	12 mos.	12 mos.
Sick Leave Credit	yes	yes
Non-Industrial Disability	standard	standard
Industrial Disability	yes	yes
Pre-Retirement Death Benefits		
Optional Settlement 2W	yes	yes
1959 Survivor Benefit Level	level 4	level 4
Special	yes	yes
Alternate (firefighters)	no	no
Post-Retirement Death Benefits		
Lump Sum	\$500	\$500
Survivor Allowance (PRSA)	no	no
COLA	2%	2%
Employee Contributions		
Contractual employer paid	no	no
Contractual Employee Cost sharing	0%	0%

*Inactive Coverage Group

